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Nicaragua

Livestock and Products

Report

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Report Highlights:
The Nicaraguan beef industry continues to be one of the most productive agricultural areas. Nicaragua exported 30,144 MT to Central America, the U.S. and Mexico in 2002. Growth in the beef industry is expected to be slow because of lack of government policies to support producers, little technical assistance and high interest rates offered by private banks. According to the Ministry of Agriculture herd, consumption, and slaughter statistics have been adjusted to reflect the latest Agricultural Census estimates.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
San Jose [CS1], NU

Executive Summary

The beef industry is among the few remaining productive agricultural activities in Nicaragua. In 2002 beef exports placed second after coffee generating $73.7 million. The best export markets for beef are the Central American region, the U.S. and Mexico. Nevertheless, the beef industry faces high production costs, restructuring of the local market, and lack of support from the GON resulting in limited beef production growth.

Nicaragua accepts USDA graded beef. Three establishments are approved for slaughtering and processing beef for export to the U.S.

Production

Based on information collected in 2001 after the latest Agricultural Census (CENAGRO), the national bovine herd is estimated at 2,657,039 head. Cattle ranches between 0.42-168 hectares (HA) account for 94% of total ranch area and manage approximately 67% of the national herd. Therefore, most Nicaraguan cattlemen are classified as small and medium size producers. Nicaraguan cattlemen have a substantial comparative advantage over the rest of Latin America because of rich soil, climate and geography.

On June 2, 2003, the National Cattlemen's Association (CONAGAN), the InterAmerican Institute on Agricultural Cooperation (IICA), and the American Cooperative League (CLUSA) signed a cooperative agreement to promote organic beef production for domestic consumption and export. This program will train producers and inspectors in organic certification.

Beef cattle are largely grass fed in extensive production systems with *ad libitum* mineral supplementation and basic management practices. According to CENAGRO, Nicaragua has an area of 7,505,417 **HA dedicated to cattle** of which 33% and 15% are natural and improved grasses, respectively. The crossing of northern European breeds with Brahman cattle through imported bulls or AI, continues to produce offspring with improved quality in terms of tenderness, feed efficiency, time to market and slaughter weight. Evermectin based and other deworming drugs are widely used. Similarly, implants to improve the rate of gain are also used under veterinary supervision. Three immunization shots are given every year for black leg, anthrax and rhinotracheitis.

Total milk production increased from 43.0 million gallons in 1994 to 66.2 million gallons in 2002, for a total annual average increase of 4.7%. Similarly, according to FAO from 1997 to 2002, Nicaragua was the second country in Central America with the highest annual average milk production growth rate after Costa Rica.

In 1991 the Institute for Rural Development began incentive loan programs at lower interest rates, financed by the government of China-Taiwan. These programs are oriented to increase cattle productivity in small and medium size ranches by introducing improved sires and dams, adequate feeding programs and technical assistance. These programs are expected to positively impact cattle production in Nicaragua considering the large percentage of the herd managed by small and medium size producers.

Main problems faced by beef and dairy producers are lack of favorable government policies, little support from export authorities, little or nonexistent technical assistance, high production costs, poor road infrastructure, high interest rates on loans (18%), and high taxes.

Table 1: Production, Supply and Demand: Cattle

PSD Table						
Country	Nicaragua					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Total Cattle Beg. Stks	2283	2283	2257	2257	0	2257
Dairy Cows Beg. Stocks	0	0	0	0	0	0
Beef Cows Beg. Stocks	0	931	0	931	0	931
Production (Calf Crop)	770	449	0	451	0	451
Intra EC Imports	0	0	0	0	0	0
Other Imports	15	2	0	2	0	3
TOTAL Imports	15	2	0	2	0	3
TOTAL SUPPLY	3068	2734	2257	2710	0	2711
Intra EC Exports	0	0	0	0	0	0
Other Exports	80	65	0	65	0	66
TOTAL Exports	80	65	0	65	0	66
Cow Slaughter	225	161	0	158	0	158
Calf Slaughter	0	0	0	0	0	0
Other Slaughter	350	240	0	230	0	231
Total Slaughter	575	401	0	388	0	388
Loss	156	11	0	0	0	0
Ending Inventories	2257	2257	0	2257	0	2257
TOTAL DISTRIBUTION	3068	2734	0	2710	0	2711
Calendar Yr. Imp. from U.S.	2	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Consumption

Slaughter and domestic consumption have been adjusted to show more accurate estimates according to the Ministry of Agriculture. They are expected to remain stable at 388,000 MT and 29,000 MT.

Upscale hotels and restaurants offer select U.S. imported cuts on their menus. There is increasing awareness of the higher quality of U.S. beef in terms of tenderness, juiciness and flavor. There is a potential niche for marketing to increase consumption of U.S. imported beef within the high income segment of Nicaraguan society.

Table 2: Production, Supply and Demand: Beef and Veal

PSD Table						
Country	Nicaragua					
Commodity	Meat, Beef and Veal				(1000 MT CWE)(1000 HEAD)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Slaughter (Reference)	575	388	0	388	0	388
Beginning Stocks	1	0	0	0	0	0
Production	65	60	0	60	0	60
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	66	60	0	60	0	60
Intra EC Exports	0	0	0	0	0	0
Other Exports	32	30	0	31	0	31
TOTAL Exports	32	30	0	31	0	31
Human Dom. Consumption	31	27	0	27	0	27
Other Use, Losses	3	3	0	2	0	2
TOTAL Dom. Consumption	34	30	0	29	0	29
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	66	60	0	60	0	60
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	14	11	0	11	0	10

Trade

Even though the average price of beef decreased from $2.56 to $2.32 per kg in 2002, beef ranked second among the main Nicaraguan export products generating $73.7 million in 2002. Beef exports up to April 30, 2003 totaled 11,302 MT. Beef exports reached 30,144 MT in 2002 showing 11% increase from 2001.

Local industry representatives believe that it will be difficult to maintain last year's excellent performance because of high production costs and changes in the structure of the national market. Slaughterhouses have requested the GON to collaborate on a national plan to improve productivity to offset increasing production costs. This plan would revise the costs of feedstuffs and services used in beef processing. However, exports of beef to the U.S. could decrease since Uruguay, previously banned for foot and mouth disease, has been re-authorized to export at least twenty thousand MT of beef to Puerto Rico. A decrease in beef exports to Puerto Rico could be offset by Nicaraguan exports to Taiwan. Taiwanese SPS barriers have been eliminated. Taiwan will train Nicaraguan slaughterhouses on special cuts demanded by Taiwanese consumers. Nonetheless, national beef prices have been reported on the high end by some slaughterhouses which could affect overall trade. For instance, Nicaraguan beef cattle is **42%** more expensive than Uruguayan cattle. Slaughterhouses pay $1.9 per kg in Nicaragua and only $1.1 per kg in Uruguay.

The best market alternative for Nicaraguan beef continues to be the Central American region, the U.S. and Mexico. However, trade within the Central American region and Mexico has been limited due to trade barriers at times. In 2002 Honduras stopped issuing beef certifications. **Panama has approved only a 1,000 MT-quota for Nicaragua. Nicaragua is currently negotiating with both countries. According to the Ministry of Industry and Commerce, Mexico has** used non-tariff barriers to delay Nicaraguan beef exports. Some of these barriers are abrupt changes of entrance ports, change of grading systems, and short notice of new administrative and legal regulations. Most of these barriers have been eliminated, but Mexicans continue to favor live cattle imports from Nicaragua. Last year Nicaragua exported 17,600 head of cattle to Mexico.

In 2002 beef imports from the U.S. including retail cuts, variety meats, tallow, semen and ova reached $6 million as compared to $4.5 million in 2001. Dairy product imports from the U.S. in 2002 totaled $9.4 million showing a 6% increase as compared to 2001. Pork imports including retail cuts and variety meats totaled $1.3 million in 2002 showing an 21% increase from 2001.

CONAGAN has called for Nicaragua to receive preferential treatment in the Central American Free Trade Agreement (CAFTA) negotiations, especially for beef and dairy products. Cattlemen perceive large U.S. subsidies as an impediment to concluding a U.S.-CAFTA agreement.

Table 3: Trade Matrix: Live Animal Exports

Export Trade Matrix			
Country	Nicaragua		
Commodity	Animal Numbers, Cattle		
Time period	2002	Units:	Head
Exports for:	Live Cattle		1
U.S.		U.S.	
Others		Others	
Costa Rica	1724		
El Salvador	31806		
Honduras	12547		
Guatemala	360		
Mexico	17600		
Panama	492		
Total for Others	64529		0
Others not Listed			
Grand Total	64529		0

Table 4: Trade Matrix Beef and Veal: Exports

Export Trade Matrix			
Country	Nicaragua		
Commodity	Meat, Beef and Veal		
Time period	2002	Units:	MT
Exports for:	Beef		1
U.S.	11413	U.S.	
Others		Others	
Mexico	783		
Guatemala	2662		
El Salvador	11294		
Puerto Rico	2495		
Costa Rica	1356		
Honduras	101		
Panama	41		
Total for Others	18732		0
Others not Listed			
Grand Total	30144		0

Policy

Nicaragua accepts USDA graded beef. Three local establishments are USDA certified for slaughtering and processing meat for export to the U.S.: San Martín, Nuevo Carnic and MACESA.

Marketing

Beef prices are determined by supply and demand. During the dry season from January to May when there is less grass growth cattle prices tend to increase. The new organic beef program will focus its marketing on large ethnic groups in the U.S. and other countries from the EU that may prefer Nicaraguan over U.S. beef.